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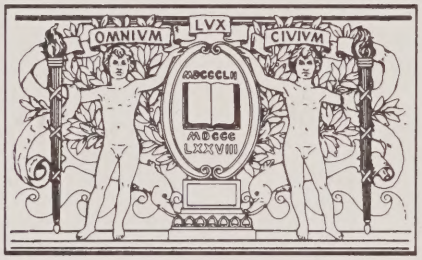

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Local Economic Policy In Boston For Retail and Shopping Area Development

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Summary

Retail trade is an essential part of Boston's economy, and indeed that of any central city. While trade does add a vitality and spark to urban life, retailing also provides the basic goods and services that people need in their everyday activities. In addition, of course, trade creates jobs for workers, prosperity for businessmen, and essential sales tax revenues for government services.

In the City of Boston retail trade has been recovering over the last ten years after a thirty year decline following the second World War as people and jobs moved to the suburbs. Today, Faneuil Hall Marketplace, a downtown festival retail mall, completed in 1977, attracts over 8 million visitors per year and is one of the most successful downtown attractions in any American city. Copley Place and Lafayette Place, two new enclosed mixed-use retail malls completed since 1984 have proven to be very profitable. Downtown Crossing, the pedestrian mall formed out of the traditional downtown core of department stores and shops in 1980, has stabilized the long-term decline of downtown merchandizing and has set in motion plans for expansion. And recently, the older neighborhood retail centers scattered throughout Boston's many residential districts are starting to experience renovation, improvement, and revival. In 1987 Boston had over 3,500 active retail business with over 63,000 employees as retail jobs rose by over 6,000 since 1976.

These visible signs are testimony to the economic growth and progress achieved in Boston retailing in recent times. Improvement has been a cooperative effort, the result of a revival of concerns and hard work by local government, civic leaders, businessmen, merchants associations, financial lenders, and real estate developers who have made it happen. Boston's city

government has taken an active role. No single concrete masterplan was designed as a strategy for retail development but local government used a combination of planning tools, financing vehicles, city services, and management techniques to promote, guide, and create successful retail projects. A list of the key elements include:

1. Planning and zoning policy. From the bold urban renewal programs of the 1960's through to the mixed use developments of the 1980's in Boston, both large-scale district plans and small-scale site plans have forged the design and approval of diverse real estates uses - housing, offices, educational and medical institutions, hotels, convention centers and entertainment facilities, as well as historic and tourist attractions- which today provide the core users of retail stores. Zoning laws explicitly support retail uses in strategic commercial locations and even stipulate their size on publicly owned parcels of land when let out for development.

2. Subsidies, financing, and capital improvements. Government provision of funding subsidies in the form of grants or loans has played a role in plans that include retail developments. Federal funds from urban renewal through urban development action grants were used to acquire and assemble land as well as finance projects. Low-interest loan programs have been used to encourage renovations of existing buildings. Boston's city capital budget has been used for streets, sidewalks, lighting, benches, plantings and even parking garage construction to support local retail plans.

3. Local public services. The provision of basic city services such as police security, sanitation, maintenance, traffic management, and parking are essential supportive elements of retail activity in shopping districts that create a safe, clean, accessible, and problem-free environment for both local shoppers and visitors. Enhanced services are sometimes provided to improve a neighborhood image. Sometimes privately contracted security and cleaning are provided by private businesses in enclosed malls or privately operated outdoor areas. Recently, another city service-job training and placement - is becoming an important means of providing business with qualified workers.

4. Public management and marketing. Another arena of city involvement is in bringing businesses and civic leaders together with local government in management and promotion efforts of retail areas. Merchants Associations have been formed in Boston shopping districts to coordinate operating hours, special sales, entertainment, promotions, and general problem solving efforts. In areas that need improvement these groups work to solve problems of security or assist in programs of loans for storefront improvements or new business start-ups.

BOSTON'S RETAIL MARKET AND A HISTORIC PERSPECTIVE OF RETAIL DEVELOPMENT

Boston's population of 601,095 is about 20 percent of the 2,824,000 people in the whole metropolitan area. Annual retail sales in Boston total over $3.5 billion or roughly 18 percent of the $17.5 billion of total retail sales in the metropolitan region. National data shows that the whole Boston metro area ranks 6th or 7th of all American metro areas in population, households, total retail sales, and effective buying income. Downtown Boston and the adjoining Back Bay shopping districts combine for about 40 percent of total city retail sales or about 7 percent of total metro area retailing activity.

Between 1945 and 1975 retail sales in the City of Boston actually declined after adjusting for inflation. In the early 1950s total sales in Boston were over 50 percent of total regional sales while by 1977 the share had fallen to less than 20 percent. The major reason was the growth of Boston's suburbs and the decline of Boston's population. In the last 10 years though, Boston's retail sales have stabilized and the share of metropolitan sales remain at 18 percent. Recent retail sales growth in Boston has been strong in eating and drinking establishments, specialty apparel, jewelry, business-related retailing, and miscellaneous merchandise.

Boston's road to recovery in retailing began with the urban renewal programs of the 1960's which took about 15 years to mark improvements. The Prudential Center, a private mixed-use real estate development in the Back Bay completed in 1964 added the first large new retail space in Boston in over 35 years. The city's role was crucial in development as a major lynch-pin in the project was the write down of property taxes through the chapter 121A agreement which based payments on 5 percent of gross operating income. Other downtown urban renewal projects at Government Center and the Waterfront enabled public land assembly

and clearance for new buildings which set the stage for new development. Despite these efforts downtown Boston lost 4 major department stores while sales declined in existing stores. Two new high grade department stores were added at the Prudential Center in the mid-1970's as signs of revival begin.

The real retail recovery was visibly established by the development of Faneuil Hall Marketplace from 1976-1978. Growing out of the Waterfront urban renewal program the city and the Boston Redevelopment Authority began plans for the project in 1967 and it took 10 years to blossom. After careful study, the city acquired three 536 foot-long industrial and public market buildings constructed in 1826 adjacent to Historic Faneuil Hall, a building of fame dating back to before the American Revolution. In 1973 the BRA designated the Rouse Company as developer and manager with Ben Thompson principal architect by leasing the buildings at $1 per year for 99 years and agreeing to wave traditional property taxes in lieu of 25 percent of gross rental income. These financial concessions by the city were large but necessary for such a risky venture. Private investment totalled $30 million which was largely financed by banks from New York City because the project was considered a risk. Federal funds for historic renovations and public improvements were included while some local capital monies were invested. Boston also has a small stake in the profits generated. Today the project has 70 shops and restaurants and 90 vendors in 219,000 square feet of space. Annual sales average about $400 per square foot for a total of over $80 million in sales per year. The market has added significant new activity and night life to the downtown waterfront and has spun off various other adjacent commercial development. This venture was one of the first successful downtown festival markets in America and has been

the prototype for similar projects in New York, Baltimore, Milwaukee and over 50 other cities managed by the Rouse Company.

Another bold step taken by Boston was the restructuring of the downtown retail district into a pedestrian mall named Downtown Crossing. Working with the two large anchor department stores and over 400 smaller merchants the city gave assistance to the Downtown Crossing Merchants Association in establishing a strong management association to promote business, coordinate shop activity and attract the large downtown workforce shoppers. Numerous private property improvements were undertaken commensurate with city investment in public improvements of roads, sidewalks, lighting and streetscape. City security and maintenance activity was given priority. Today nearly 2 million square feet of retail space is active renting for about $40 per foot. The area attracts over 100,000 shoppers daily from the city, suburbs, and surrounding offices- the highest pedestrian count anywhere in New England.

Retail projects in mixed use developments and office buildings have surged to the forefront. Two new large retail malls - Copley Place and Lafayette Place -have been completed since 1984. Both of these projects required strong planning by the city and substantial public investment. Copley Place is a 3.7 million square foot mixed-use complex in the Back Bay located in 9.5 acres of land an air rights over the Massachusetts Turnpike and three railroads. The project has 2 hotels, 4 office buildings, 100 units of housing, and a 1400 car parking garage. The retail mall of 370,000 square feet includes a specialty department store, 10 movie theatres, restaurants, gallery shops, and a health club. The total project cost was $530 million including significant public improvement: relocation of a turnpike ramp and major water main, modification of existing streets, construction of glass enclosed pedestrian bridges,

landscaping, and improvement of ventilation and lighting. The BRA received a $19.7 million Urban Development Action Grant from the federal government for site preparation and improvements of which $15 million was a low-interest loan. Five full years of public planning and community review preceded Copley Place construction and the developer agreed to include low rental retail shops for local small businesses. Lafayette Place, another mixed use development with a large retail component has also been a success.

In the last five years much city effort has gone into revitalizing the long neglected neighborhood commercial centers. As downtown retailing prospered the small businesses in the neighborhoods were slow to respond. The City of Boston now has three programs to stimulate neighborhood retail centers. The city's Public Facilities Department (PFD) established the Commercial District Program using a coordinated mix of programs, services and other technical assistance to merchants and investors in eleven targeted commercial areas in the neighborhoods. Assistance includes: low-interest loans to businesses with federal monies and cooperation of four local banks, public funds for capital improvements, special short term construction loan bridge financing, and technical assistance to merchants on financing and architecture. The second program is the CARD (Commercial Area Revitalization District) program enabling businesses in qualified, targeted areas to obtain tax-free Industrial Revenue Bond financing, mortgage insurance, investment tax credits and urban job incentive tax credits particularly for rehabilitation of tax-foreclosed properties and abandoned buildings. The third neighborhood retail program is the Main Street Project, a national pilot program in demonstration in one neighborhood in Boston-Roslindale Square. In addition to similar financial assistance as in the other projects the Main Street program uses extensive

cooperative management tools in the commercial district aimed at: promotion and marketing events, assistance in design and streetscape improvements, recruitment of new businesses, skills training workshops an other tools involving bankers, city officials, merchants, civic leaders, and community members. These three programs are working. Since 1981 in 15 commercial districts 200 businesses have participated, 1200 jobs have been created, and 90 loans given, for a total development cost of $31 million of which only $4 million has been from public subsidies.

FACTORS BEHIND BOSTON'S RETAIL RESURGENCE AND THE LESSONS LEARNED

Boston's success in stemming the decline of retailing in the city and generating growth are now documented. Propelling this takeoff are a variety of reasons:

1. Growth in numbers of city shoppers including - workers located in office buildings (110,000 job gain since 1976), new residents (the first Boston population gain since the 1940's), tourist growth (over 8.6 million to greater Boston in 1987), and other business visitors.

2. New limits being placed on suburban development after 30 years of unprecedented suburban growth in population and jobs.

3. A balance of complementary real estate developments including offices, hotels, institutions, convention centers, housing, entertainment and tourist attractions, as well as retail uses providing a critical mass of shoppers.

4. An emphasis on historic attractions and cultural activities as a basic Boston resource for the tourist trade.

5. A diversity of retail developments that offer a variety to the shopping experience: festival markets, department stores, indoor shopping malls, pedestrian malls, art and entertainment districts, and neighborhood commercial centers.

6. A more aggressive public sector which has tools for planning, financing, coordinating, and encouraging private investment.

7. A well developed partnership among government, business, and the community.

8. Demonstrated success in retail projects over the last twenty years as a proven track record for future projects.

Recent success in Boston and the retail experiences of other cities have provided valuable lessons for cities undertaking retail development and related improvements. The Urban Land Institute in Washington, D.C. has identified important components of retail strategies. The following list gives some of these lessons as they have been evident in Boston's retail improvement.

1. "Identify and play on a theme unique to downtown". Boston's unique historic landscape is a valuable resource.

2. "Consider existing department stores as a possible centerpiece of the retail strategy." Boston has attracted some new stores but the existing ones have been critical for success.

3. "Ignore existing retail at your peril". New ventures must be planned to complement rather than compete with existing stores.

4. "Obey basic rules of retail". Site selection and store mix must be based on solid principles of visibility, access, circulation, security, merchant experience, and continuity.

5. "Do not overlook opportunities for small-scale retail initiatives". While some large downtown malls are needed, neighborhood commercial districts are also very important.

6. "Do not make retail redevelopment the first step in renewal". Retailing gains in Boston only occurred after years of groundwork in urban renewal and new development of other uses.

7. "Make cultural and recreational improvements a part of retail revitalization". Boston's newest idea, The Midtown Cultural District, will make theatres a vital element in a district plan building upon Boston's legacy of art and culture.

8. "Make residential development an element of the retail strategy". Boston's ongoing encouragement of housing is an effort to recover the "24-hour" downtown.

9. "Consider innovative management mechanisms". Boston gains in Downtown Crossing and the Neighborhood Commercial District program largely prospered because of management techniques.

10. "Build an ongoing public-private coalition". Government, business, and community cooperation is a key to progress.

These lessons have been shown from Boston's experience although each city is unique and the particular circumstances for success differ.

THE FUTURE

Boston has made some gains in retail development but planning for new ventures must also go on.

Several future projects include: expansion of the Presidential Center and Lafayette Place projects, new public park improvements to involve small scale retail, and waterfront shops in the renovated Charlestown Navy Yard. Perhaps the most wide-ranging plan is one announced this year - the Midtown Cultural District. More than 10 new and renovated theatres will be the centerpiece for a downtown revitalization to include much more emphasis on housing. Building upon Boston's historic past 100 years ago when over 50 theatres brought life and vitality to down city plans to recreate the idea of the 24-hour active downtown.